

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554**

In the Matter of)	
)	
Schools and Libraries Universal Service)	CC Docket No. 02-6
Support Mechanism)	
)	
Further Notice of Proposed Rulemaking)	
)	

COMMENTS OF UNITED UTILITIES, INC.

Introduction

In the Second Further Notice of Proposed Rulemaking (FCC 03-323) the Commission seeks comments on several issues related to the administration of the schools and libraries universal service mechanisms (also known as the e-rate program). Specifically the Commission seeks comment on the issue of whether the Commission should change the discount matrix used to determine the level of discounts for which applicants are eligible. Further, the Commission seeks comment on the current competitive bidding process.

Discussion

United Utilities, Inc. (United) provides e-rate eligible services to schools and libraries in remote Alaskan communities. The e-rate program has brought these rural schools and libraries local exchange services, long distance services, business communications systems, internet, and distance learning programs. Under the present rules, most of

Alaska's remote schools and libraries that are located in the region served by United qualify to receive the maximum 90 percent discount.

The Commission should not reduce the levels of discounts received by schools and libraries for supported services, including the current 90 percent discount band. The Commission should not change the discount matrix used because such a change would compel the target group (i.e. the most economically disadvantaged schools and libraries), and the group most reliant on the 90 percent discount, to pay for a greater share of the service costs. Furthermore, the neediest applicants do not have the means to pay more than they are already paying. If these applicants are required to pay more than 10 percent of the service costs, many applicants will probably be precluded from even applying for support and participating in the program. The end result of such a change might mean that many disadvantaged schools and libraries are likely to have to forego the technology that they so desperately need.

As a service provider in rural Alaska, we have entered into multi-year contracts with schools and libraries for eligible services. The contracts entered into relying on the existing support levels, and on the reasonable assumption that support would continue at the 90 percent rate throughout the term of the contract. In today's tight budgets, cash strapped schools and libraries are not likely to have budgeted for additional amounts over and above the 10 percent cost of eligible services. If support at the 90 percent level is denied to these parties, the schools and libraries are unlikely to have the funds to pay the additional costs (i.e. the difference between the cost of the services with support at the 90

percent level and the cost of services supported at a lower level). As a result, schools and libraries would be faced with a very difficult choice: giving up some of, and possibly all of, the vital services because the services would be unaffordable.

If the Commission does adopt a change in the discount matrix, and this change becomes effective in Funding Year 2005, we respectfully propose that any change apply only to new applications and that the Commission allow the current discount rate to stand for the remaining term of any multi-year contract already in existence. By granting existing multi-year contracts “grandfather rights”, the Commission will ensure that those schools and libraries are protected, and will continue to receive the necessary support to enable them to maintain the necessary telecommunications services for the duration of the contracted period.

The Commission is also seeking comments on the competitive bidding process. Specifically, the Commission seeks comment on whether the Commission, as a condition of support, should require that each service provider certify that the prices in its bid have been independently developed, modeled after the certificate of independent price determination required under federal acquisition regulations. United is of the opinion that by adopting a more rigorous “self certification” requirement, based on the certificate of independent price determination model, and by requiring submission under the penalty of perjury, the Commission would be assured that waste, fraud and abuse are not occurring. United also supports requiring records related to the competitive bidding process to be maintained for a period of five years. More stringent record retention and

“self certification” requirements are constructive changes that will (i) make applicants more accountable for their funding requests; (ii) dissuade vendors from improperly offering to forgive or refund the 10 percent contribution required of applicants in the highest discount band; (iii) provide sufficient incentives for school and libraries to limit funding requests to services that can be efficiently used and (iv) for vendors to competitively price their services. These measures will limit waste, fraud and abuse, without necessitating a reduction in the support levels by the Commission.

Conclusion

United respectfully requests that the Commission keep in mind the rationale for adopting the 90 percent discount rate i.e. “to prioritize support based on economic need”. The Commission should therefore not amend the discount matrix to reduce the discounts available in some or all of the discount bands. The Commission should adopt stricter certification and record retention requirements.

Respectfully submitted,

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